CASTLE & COOKE, INC.

Annual Report
for the
Year Ended
March 31, 1972

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Financial Highlights

Operations for the Year	March 31 1972	March 31 1971	Percent Change
Revenues	**$535,977,000**	$506,605,000	6%
Income before extraordinary items	**10,662,000**	6,737,000	58
Extraordinary items	**934,000**	3,478,000	—
Net income	**11,596,000**	10,215,000	14
Earnings per common share:			
Income before extraordinary items	**.89**	.61	46
Extraordinary items	**.08**	.31	—
Net income	**.97**	.92	5
Cash dividends	**7,273,000**	6,609,000	10
Per share	**.60**	.60	—
Average number of common shares outstanding	**11,936,587**	11,018,746	8

At Year End			
Working capital	**$121,944,000**	$ 71,510,000	71%
Total assets	**537,645,000**	494,848,000	9
Long-term debt	**164,063,000**	128,325,000	28
Stockholders' equity	**217,231,000**	194,188,000	12
Per share	**17.88**	17.59	2
Number of common shares outstanding	**12,148,680**	11,037,248	10
Number of stockholders	**22,596**	19,757	14

There is no dilutive effect on earnings per common share from assuming conversion of the company's convertible subordinated debentures.

Annual Meeting

The annual meeting of stockholders will be held on June 16, 1972 at 8:30 a.m. in the company's headquarters, 130 Merchant St., Honolulu, Hawaii. Stockholders of record at the close of business May 1 are entitled to vote at the meeting. A formal notice of the meeting, together with a proxy statement and form of proxy, have been included with this mailing of the annual report. Prompt return of your proxy will be appreciated.

Letter to Stockholders

Net consolidated earnings from operations improved by 58% in the fiscal year ended March 31, 1972. Total income increased 14%. This positive trend is expected to continue in the new year.

Earnings after taxes on operations were $10,662,000 or 89 cents per share for the 1971-72 fiscal year. These compared with net operating earnings in the prior year of $6,737,000 or 61 cents per share.

In 1971-72 there was an extraordinary item of $934,000 or 8 cents per share, compared with extraordinary income in the prior year of $3,478,000 or 31 cents per share.

Total net income in the March 31, 1972 year was $11,596,000 or 97 cents per share, compared with $10,215,000 or 92 cents per share the year before.

Total revenues were $535,977,000, up 6% and set a new record. They were $506,605,000 in the prior year.

Contributing primarily to the better results were higher earnings from real estate, seafoods, pineapple and manufacturing activities. They offset the negative effects of low banana earnings, the U.S. dock strikes and losses incurred by a computer time-sharing subsidiary.

Operating earnings from real estate activities, a vital ingredient in the company's total earnings mix, increased substantially both in Hawaii and California. In addition to operating income from these sources, there was an extraordinary profit from the sale of Dole's property in San Jose, California, most of which had been occupied by a Dole cannery, closed in 1969. That portion of the site occupied by offices has been leased back for the continuing needs of our food operations.

Bumble Bee Seafoods turned in an outstanding performance. Earnings set an all-time record for the fourth year in succession and sales for the 16th year in a row. Bumble Bee's contribution to consolidated company earnings was particularly significant and welcome in a year when some other earnings sources were depressed.

Earnings from pineapple increased modestly over those of the prior year but were still below what we believe to be satisfactory. The short and long-term improvement in pineapple earnings is a major focus of management attention, particularly operating costs in Hawaii.

Macadamia nuts, though relatively small in Castle & Cooke's total foods operations, reported record sales and earnings.

Sugar earnings, in spite of the disruption of refining and marketing operations due to the Pacific Coast dock strikes, showed an increase. This was caused by higher sugar prices and improved plantation results.

However, throughout the first three quarters of the fiscal year, there was a serious imbalance in supply and demand for bananas due to the carry-over effects of unfavorable weather in growing areas and the 1971 dock strikes. The consequent unprofitable level of banana prices substantially reduced the company's earnings from this source. The imbalance began correcting itself in the fourth quarter of the fiscal year and this, coupled with a vigorous new effort to market our premium bananas nationally under the Dole label, resulted in substantially higher banana prices. This trend is expected to continue into the new fiscal year.

The longshore strikes on the Pacific, Atlantic and Gulf coasts were also a serious depressant on earnings. Most of our food activities, as well as our Hawaiian merchandising operations, experienced severe disruptions and consequent higher costs from the strikes. We estimate direct strike costs penalized pre-tax earnings by more than $5,000,000. There were also indirect penalties incurred by the depression in the Hawaiian economy resulting from strikes.

Heavy losses from the operation of a computer time-sharing company in Portland, Oregon, acquired in 1970, were halted in November 1971 when the business was sold.

Two significant improvements occurred in our manufacturing and merchandising operations.

Arneson Products, Inc., manufacturer of the Pool-Sweep automatic swimming pool cleaner,

turned in an outstanding performance by substantially increasing its earnings and sales. Arneson has proven to be an excellent acquisition for Castle & Cooke, and we look for the present earnings trend to continue, not only for Pool-Sweeps but also for new products now in developmental stages.

Because Ames Mercantile Company, our discount merchandising subsidiary, sustained a major loss in the prior year, reorganization of the management was instituted and a moratorium temporarily placed on further store expansions in the early summer of 1971. It is gratifying to report that Ames is turning around and ended the fiscal year with only a modest loss. We believe there will be a return to profitable operations in the new year.

Among Castle & Cooke's investments in the Far East, Republic Glass Corporation of Manila, 61% owned, reported a modest increase in earnings, despite a severe depression in the Philippine construction industry.

Thai-American Steel Works Company, Ltd. of Bangkok, 55% owned, also reported increased earnings. We are optimistic that its earnings will increase substantially in the year ahead.

Malaysian Rock Products of Kuala Lumpur, 73% owned, had operated at a loss since its formation. In 1971-72 it reported excellent earnings due to improved quarry operations and a better Malaysian business climate. We are expanding further into the quarrying industries in Malaysia.

In the 1971-72 year, Castle & Cooke undertook a major re-financing program. The objectives were to shift short-term bank loans into long-term debt and to increase the equity base and improve the debt-equity ratio by the sale of 1,000,000 additional common shares at $18⅞ per share. As part of this program the company made a direct placement with the Prudential Insurance Company of America of a 25-year promissory note for $35,000,000 at 8⅞% interest due in 20 equal annual installments beginning in 1977.

As the stockholders have been informed, Castle & Cooke has also undertaken a major reorganization of its food activities, excluding sugar, into a single new division to be known as Castle & Cooke Foods. Operative with the beginning of the new fiscal year, the division will move into new offices in San Francisco about July 1, with an auxiliary office continuing in San Jose.

Corporate headquarters and the administration of non-food activities remain in Honolulu.

Administration of Standard Fruit and Steamship Company, Dole Company, Bumble Bee Seafoods and Royal Hawaiian Macadamia Nuts, which heretofore operated with a high degree of autonomy, will be centralized and reorganized along functional rather than product lines. Donald J. Kirchhoff, Executive Vice President of Castle & Cooke, has assumed the additional duties of President of Castle & Cooke Foods.

This restructuring of the food functions will reduce administrative costs and improve operating efficiencies.

Details of the foregoing will be found in the Operations and Financial sections of this report.

The resignation of William F. Quinn as President of Dole Company to re-enter the practice of law in Honolulu was accepted with great regret. His valuable service has earned the gratitude of the management and stockholders.

It is difficult to predict results of the 1972-73 fiscal year at this time, but management of the company is confident the upturn in operating earnings which began in the latter part of the 1971-72 year will be accelerated in the year just beginning.

Malcolm MacNaughton
President

FOOD

	1972	1971	Percent of 1972 Total
Revenues	$385,831,000	$374,001,000	72%
Earnings	$ 15,822,000	$ 16,154,000	59%

Castle & Cooke's food group, comprising the bulk of the company's activities, experienced mixed results for the year. Aggregate revenues from food operations exceeded the previous year, but earnings were lower. Record performances by the seafood and macadamia nut activities, plus improvement in pineapple and sugar earnings, were offset by a continuation of depressed banana earnings.

Bananas

Agricultural operations of Standard Fruit and Steamship Company's banana-producing divisions were generally favorable. Overall production recovered to satisfactory levels, with Honduras having an excellent year and Costa Rica returning to a normal level after the flood disasters of 1969 and 1970. A new railroad bridge serving the Rio Frio area is in operation, replacing the bridge destroyed in the 1970 floods. New handling methods and quality control measures have contributed to an overall improvement in fruit quality.

The first shipments of fruit from the new Nicaragua division were made early in 1972. Initial results are very promising, indicating that Nicaragua fruit will be a highly competitive product as full shipload quantities become available later in 1972.

Production from Standard's Philippine subsidiary was up sharply from the previous year.

In the United States, the beginning of the 1971-72 year saw wholesale banana markets continuing at the very depressed levels prevailing in the latter half of 1970 and early 1971. These conditions were the result of the series of natural disasters which sharply reduced the supply of bananas available in the U.S. in 1969-70, leading to an artificially high market. The reversal of this situation in late 1970, when the damaged areas came back into production, led to a sharp increase in supply and a corresponding sharp decline in market prices.

During the last quarter of the 1971-72 fiscal year, the market began correcting itself with wholesale prices rising to more traditional patterns. It is hoped that the difficult times of the past two years in the U.S. banana market are at an end.

Marketing problems of the past fiscal year were compounded by the longshore strikes on all three domestic coasts. While they did not appreciably reduce the tonnage of bananas imported, they resulted in increased costs associated with operations being conducted in temporary ports and related dislocations in transportation and distribution.

Standard took a significant step early in 1972 with the nationwide introduction of its premium bananas under the Dole label, which has replaced the Cabana label. The program is being supported by an aggressive advertising and promotional effort and initially has had gratifying results. Participation in an industry-wide program designed to support and promote increased banana sales in the U.S. market is being explored.

Banana volume sold in Europe by the three marketing groups with whom Standard is associated increased sharply. This planned expansion, when combined with effects of the stronger North American market and the new Dole program, has increased demand on our Central American producing divisions. As a result, it has been necessary temporarily to increase imports of Ecuador bananas into certain North American markets to maintain a strong consumer base. As Nicaragua fruit becomes available, however, there will be greater opportunities to use Ecuador fruit as the balancing factor necessary to sustain the marketing plans for the various world banana markets served by Standard.

The growing Japanese banana market supplied by our Philippine operations was temporarily affected by oversupply in the third quarter of the fiscal year. Marketing losses

during this period reduced the profitability of the Philippine-Japanese operations below the level forecast for the year.

Operations of Standard's associated companies in Honduras were profitable during the year. Cerveceria Hondurena, the Honduras brewery and soft drink facility, had a good year, registering gains in all of its important product lines. A continuation of this trend is expected, and a major addition to brewing facilities is nearing completion.

Pineapple

Dole's operations went reasonably well considering the severe disruptions caused by the dock strikes. Earnings showed an increase, and market share improved. Dole pineapple is now available in retail grocery outlets representing 89% of total U.S. food sales. Sales in foreign markets surpassed previous years.

Dole's pineapple packed in its own natural juice continued to account for much of the growth in revenues and now represents 45% of Dole's consumer sales volume. This product was introduced in some Canadian and European markets during the year.

Contour-peeled pineapple chunks, another Dole innovation, are now being sold nationally. Contour peeling makes it possible to use a higher proportion of the fruit in more profitable canned product rather than as juice. All of Dole's chunks in grocery sizes will be contour-peeled in Hawaii in the 1972 packing season. Three new contour peelers have been installed in the Honolulu cannery in addition to the two units installed in 1969 and 1971.

Another new Dole product, Frozen Fresh Pineapple Chunks in a quick-thaw pouch, ready to serve in one minute, was introduced in Pacific Coast markets during the year.

Also in introductory stages are Gourmet Touch Instant Marinades. This line of tenderizer marinades in five different flavors makes use of the pineapple enzyme, bromelain. They, too, were introduced on the Pacific Coast in early 1972.

Sales to expanding food service and remanufacturing markets showed growth in revenues, and a separate institutional/industrial marketing department was established to increase effectiveness in this promising area.

Despite Dole's improved performance, the total U.S. pineapple market has lacked vitality and per-capita consumption has improved only marginally. This has led Dole to join the Hawaiian pineapple industry in instituting a "National Pineapple Cooking Classic" promotion designed to stimulate consumer use of pineapple in all forms.

Dole's Hawaiian production broke all records for harvesting and canning. In a four-week period in the summer of 1971, the cannery operated continuously to pack 6.2 million cases of fruit. During this time the three Hawaiian plantations harvested 86 million pineapples.

The Hawaiian pineapple industry entered into a new two-year labor contract with the Interna-

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On the following two pages are the fine foods of Castle & Cooke as the consumer sees them on the grocery shelf, together with some new recipe ideas developed in our Consumer Services test kitchen. All food products portrayed, except sugar, have been consolidated in the new Castle & Cooke Foods division. Readers wishing recipes for these dishes should write to Patricia Collier, Fifth and Virginia Streets, San Jose, California 95108.


Dole
C AND H
sugar
BUMBLE BEE BRAND
ALASKA SOCKEYE
ROYAL HAWAIIAN
Macadamia Nuts
Dole
pineapple chunks
Packed in its own juice.
No sugar added.
Dole
PINEAPPLE
BUMBLE BEE BRAND
FANCY ALASKA KING CRAB
BUMBLE BEE
Fancy
SOLID WHITE TUNA
NET WT. 7 OZ
BUMBLE BEE
TINY PACIFIC
SHRIMP

tional Longshoremen's & Warehousemen's Union, effective Feb. 1, 1972.

The Philippine pineapple operations are expanding acreage from 16,000 to 18,300. Dolefil expects to harvest its one-millionth ton of pineapple in 1972. Additional acreage will increase Dolefil's tonnage goal from 250,000 to 300,000 tons annually.

In Thailand, Dole has increased its investment in the Island Canning Company to 64% and has taken over active management of the pineapple company. The new fiscal year will be the first of commercial production.

Dole's plant in Salem, Ore., produced one of its largest packs of fruits and vegetables.

Seafoods

The favorable results achieved throughout Bumble Bee's operations were highlighted by substantially increased sales of canned tuna and pet food and by improvement in the profitability of its South American frozen shrimp operation.

The growth in earnings from canned tuna was realized even though world market prices paid by Bumble Bee for its supplies of raw albacore and light meat tuna increased steadily throughout the year. These increases reflected strong competition by both U.S. and foreign processors for available fish supplies.

Production of canned tuna at each of Bumble Bee's three tuna canneries was greater than in the preceding year. Tuna fishing in Hawaiian waters was excellent, and the cannery at Honolulu for the second consecutive year produced a record pack. Despite smaller runs of albacore tuna off the Pacific Coast in 1971, Bumble Bee's purchases of this domestic-caught fish were larger than in the previous year. Tuna purse seine vessel operations were profitable. As usual, raw tuna caught by foreign fishermen were imported to augment domestic fish purchased for the three canneries.

During the year, the first deliveries of raw tuna were made at a new tuna receiving station jointly operated by Bumble Bee and another tuna packer in Tahiti. Fish purchased for Bumble Bee at this installation will be trans-shipped to its U.S. canneries.

Bumble Bee soon will put into operation a new tuna purse seine vessel which will have a frozen fish capacity of 1,000 tons.

The 1971 Alaska canned salmon pack fell substantially below the large pack of 1970 because of a smaller red salmon run.

The red salmon catch in Bristol Bay still exceeded the 20-year average, and escapement goals were achieved for spawning fish in all of the rivers tributary to the bay. However, Kodiak Island pink salmon catches were 30% below predictions. Southeastern Alaska fish runs, although below average, were better than had been forecast, and excellent spawning escapements were recorded for most river systems.

Puget Sound salmon fishing also exceeded pre-season forecasts. Bumble Bee's cannery at Bellingham, Wash., had its largest pack. Columbia River salmon catches also improved during 1971.

Increased profits and sales were also recorded for Bumble Bee's "gourmet" line of Figaro pet foods.

In January, 1972, Bumble Bee acquired the remaining outside interest in its Surinam frozen shrimp operation. Higher shrimp prices prevailing throughout the year and improved operating efficiencies increased the profitability of this subsidiary.

The outlook for 1972 canned salmon production based upon forecasts of Alaskan resource management agencies is for fewer red salmon in 1972 but substantially greater numbers of pink salmon. Puget Sound production is predicted to be less than half that of 1971. Domestic tuna catch forecasts are not yet available.

Bumble Bee has accelerated its program of plant modernization to improve product quality still further as well as to increase operating efficiency. Continuing attention is being given to encouragement of a better environment for salmon and other seafood resources so they will continue to flourish.

Macadamia Nuts

Royal Hawaiian Macadamia Nut Company continued to report record sales and earnings.

Total production from Royal Hawaiian's own orchard and other growers was about equal to the prior year but less than projected due to a smaller crop at our Keaau orchard on the island of Hawaii.

During the year, the division achieved a major breakthrough in the harvesting of nuts. This is a system of netting under the trees to catch the nuts as they fall from the branches when ripe. Nuts roll into a series of wire baskets which are easily emptied into a mechanized collection unit.

Now patented, this system offers substantial improvement in harvesting efficiency through increased recovery and better quality of nuts.

Sugar

Refined sugar deliveries of California and Hawaiian Sugar Company, the refining and marketing cooperative owned by the Hawaiian sugar industry, were down substantially due to the dock strike. Although it was possible to maintain major consumer items on grocery shelves during the strike, substantial sales were lost to industrial users, particularly Pacific Coast canners.

Refined sugar prices increased. C and H sales of raw and refined sugars resulted in a record average return to the two Castle & Cooke plantations of $159.60 per ton in 1971, compared with $155.50 in 1970.

Waialua Sugar Company's results were about equal to a year ago.

Kohala Corporation (formerly Kohala Sugar Company) again reported an operating loss but less than the drastic one sustained in the prior year.

Castle & Cooke's announcement last year of plans to close down Kohala at the end of the 1973 crop year triggered cooperative efforts by the company, union and public agencies to initiate new diversified economic bases for the Kohala area on the island of Hawaii to replace what has essentially been a one-product economy.

To provide more time to develop these new job opportunities, Castle & Cooke recently agreed to extend the Kohala sugar operations on a limited basis for one additional year—through 1974. The extension is not expected to result in any additional operating loss.

Effective Feb. 1, 1972, the Hawaiian sugar industry entered into a new labor agreement with the I.L.W.U. The contract is for two years, except in the case of Kohala where it extends for three years.

MERCHANDISING

	1972	1971	Percent of 1972 Total
Revenues	$64,389,000	$61,579,000	12 %
Earnings	$ (350,000)	$ (661,000)	(1)%

The merchandising group made notable progress during the year in reducing its deficit from the level of the year before.

Ames Mercantile Company, Inc., Castle & Cooke's wholly-owned discount merchandising subsidiary headquartered south of San Francisco, made a substantial turn-around. Headed by an aggressive and experienced new management team, Ames substantially reduced its loss of the previous year, and revenues increased by 7%.

Ames, by far the larger of the two companies in Castle & Cooke's merchandising group, has been undergoing a thorough overhaul from top to bottom since the new management team took control early in the past fiscal year.

Numerous programs have been instituted to reduce expenses, sharpen merchandising and increase profit margins. Tighter budgeting and controls have been imposed. The result has been a marked improvement in performance, and this is expected to continue into fiscal 1973.

Two new Value Giant stores were opened by Ames during the past year because of prior commitments, but a temporary halt was placed on further expansion, and no new stores are scheduled for the current year. It is anticipated that the expansion program will be ready to resume in fiscal 1974.

Ames' improvement was partially offset by a loss at Castle & Cooke's Hawaiian Equipment division, a major Hawaii distributor of agricultural, construction and industrial machinery. Although revenues remained about the same as a year ago, earnings were hurt by inventory adjustments, the effects of the West Coast dock strike and a temporary economic slowdown in Hawaii.

REAL ESTATE

	1972	1971	Percent of 1972 Total
Revenues	$38,129,000	$28,082,000	7%
Earnings	$ 7,346,000	$ 1,613,000	27%

The company's real estate operations generally showed substantially increased profitability over the prior year.

Approximately 1,280 acres of jungle land contiguous with Castle & Cooke's Royal Hawaiian macadamia nut orchard near Hilo were sold to a Chicago-based investment group for a profit of $1,046,000 after taxes.

The land will be cleared and developed into an 1,100-acre macadamia orchard. Royal Hawaiian will manage the new orchard under long-term contract and will purchase the entire nut crop when the orchard comes into production five to six years hence.

Sale of approximately 700 acres of land on central Oahu was consummated during the year for a total contract price of $9,800,000. The price includes imputed interest. The down payment of $1,300,000 on the transaction resulted in a profit after taxes of $784,000, which is included in 1971-72 earnings. Terms of the transaction call for the balance to be paid within seven years. The profit in future payments will be recorded as payments are received.

Oceanic Properties' Mililani Town planned community on Oahu reported a substantial increase in earnings. Demand for single-family residences and town houses offered at Mililani continues strong.

Operations of The Sea Ranch, Oceanic's country home community on the Northern California coast, were adversely affected by the generally depressed West Coast economy, plus a problem now common to most developers of water-oriented property. Special interest groups appearing at public hearings, held to review The Sea Ranch unit development plans, were able to slow down approval machinery, thus delaying the completion of inventory needed for the year's sales requirements. Nevertheless, progress is being made with zoning agencies, and it is expected that a better balance of inventory can be developed to improve results in the new fiscal year.

Sales in Oceanic's Jackson Oaks development near San Jose, Calif., improved in spite of lack of vitality in the economy of the Santa Clara valley due to continuing aerospace cutbacks.

Progress is being made on plans for the island of Lanai. Details are given on the opposite page.

Barclay Hollander Curci, Inc., Castle & Cooke's Los Angeles-based home building subsidiary, reported substantially improved earnings over the prior year. These earnings included profits after taxes of $1,075,000 from two bulk land sales in the Los Angeles area.

Planning is under way for a major condominium development in the Marina del Rey area. An additional 30 acres have been acquired in the South Bay area of Los Angeles for a 700-unit development.

Progress has continued on Brae Burn, an 885-acre BHC residential development in West Los Angeles. The first golf course will be ready for play in 1973, coinciding with the opening of the initial phase of the 870-unit project.

Mobile Housing Environments, a joint venture between BHC and Transamerica Corporation, completed its second successful year in development of mobile home parks. Seven parks were sold during the year, four parks were under construction at year's end, and 18 sites in four states were under study for development.

LANAI: Island of Tomorrow

The island of Lanai, 90,400 acres in size, lies 60 miles southeast of Honolulu across the channel from the larger islands of Maui and Molokai. Once the favorite fishing "residence" of King Kamehameha I, Lanai for the past 50 years has been the home of one of Dole's Hawaii pineapple plantations. The island, most of whose land has been unused, is owned almost entirely by Castle & Cooke.

A long-range master plan has been developed for Lanai, calling for a low-density country home and resort program tied into an island-wide total conservation plan.

The Lanai master plan was developed by the Lanai Company, a division of Oceanic Properties, Inc., subsidiary of Castle & Cooke.

The proposal, subject to approval by state and county government agencies, envisions preservation of the present rural charm and Hawaiian country lifestyle that is Lanai.

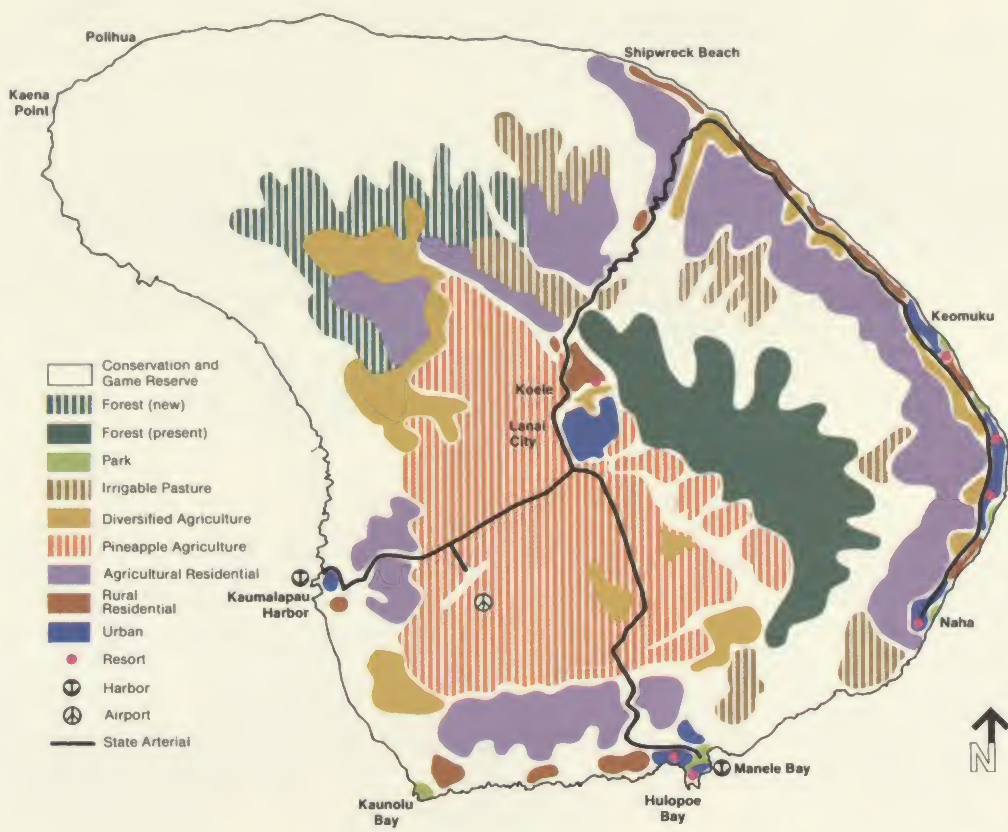
In keeping with this goal, country home and other residential acreage would be limited to about 15,000 acres. Most of this would be in parcels of two to 20 acres each.

Resort facilities would be limited to between 1,000 and 2,000 rooms in low-profile hotels scattered over half a dozen sites on the island.

Major expansion of recreational activities also is planned. Included will be improvement of facilities for golfing, horseback riding, hiking, deer and bird hunting, and fishing, boating and other water-oriented sports.

More than 80% of the entire island would remain in agricultural use and untouched open space. Dole's 15,600-acre pineapple plantation would continue operations without change.

Heavy emphasis would be placed on erosion control and other conservation programs, and the island's forest-watershed area would be almost doubled in size.



MANUFACTURING

	1972	1971	Percent of 1972 Total
Revenues	$21,537,000	$19,805,000	4%
Earnings	$ 3,403,000	$ 2,743,000	12%

Each of the three companies in the manufacturing group contributed to the group's improvement in revenues and earnings over the previous year.

Arneson Products, Inc. of San Rafael, Calif., again established new highs in sales and profits. Its major product, the Pool-Sweep automatic swimming pool cleaner, is now available in all major U.S. pool markets, and the development of an extensive factory-trained dealer network is well under way. Dealer sales and service training programs are being intensified, and further sizable gains in the U.S. market are expected during the coming year.

In overseas manufacturing activities, Republic Glass Corporation in the Philippines (61% owned by Castle & Cooke) greatly increased its exports of window glass to more than offset a sluggish Philippine market. The result was an 8% gain in the company's sales. The bulk of Republic's exports were made to the U.S. and would have been even larger if not for disruptions of shipments caused by the U.S. West Coast dock strike. Further substantial gains in export sales are expected during fiscal 1972-73.

Profits also increased, despite higher costs of power, fuel, raw materials and labor. Strong emphasis is being placed on programs to reduce raw material costs now and in the future.

Thai-American Steel Works Company of Bangkok (55% owned by Castle & Cooke) also showed improved sales and earnings for the year. The gains resulted from a stabilized Thai market that produced better prices for galvanized steel pipe, the subsidiary's principal product. Continued improvement is anticipated in the new year.

SERVICES

	1972	1971	Percent of 1972 Total
Revenues	$20,437,000	$18,114,000	4%
Earnings	$ 732,000	$ 19,000	3%

Castle & Cooke's service operations—principally stevedoring, trucking, shipping and now air cargo activities—showed improved earnings for the year.

STEVEDORING—Despite disruptions caused by the mainland dock strikes, Castle & Cooke Terminals reported a gain in earnings for the year primarily because of an increase in general cargo tonnage from the Orient to Honolulu.

Two new stevedoring accounts for new services between Hawaii and the Pacific Northwest were acquired during the year and will add to future revenues.

Negotiations on a new longshore contract with the I.L.W.U. were held in suspension during the course of the Pacific Coast longshore strike. At fiscal year end, negotiations had not resumed.

Kawaihae Terminals on the island of Hawaii, 55% owned by Castle & Cooke, also reported improved earnings for the year.

TRUCKING—Oahu Transport Company reported improved revenues but lower earnings for the year. Hawaiian Hauling Service, although increasing its revenues, operated at a loss. The poor results were due basically to the effects of the West Coast dock strike. The managements of the two trucking firms were merged into a single control as part of a cost reduction program.

SHIPPING—The Ship Agency division in Honolulu maintained satisfactory earnings largely because passenger ship movements were not affected during the longshore strikes.

AIR CARGO—Castle & Cooke purchased a majority interest in Pacific Air Cargo Service, Inc., a small air cargo terminal business based at Honolulu International Airport.

PACS offers complete air cargo handling services to both scheduled and supplemental airlines. This new venture will permit Castle & Cooke to apply its experience in freight handling activities to the expanding field of air cargo.

Revenues and Earnings by Major Activities

	1972		1971		1970		1969		1968*	
Revenues										
Food	**$385,831,000**	**72%**	$374,001,000	74%	$358,320,000	71%	$330,061,000	73%	$273,633,000	75%
Merchandising	**64,389,000**	**12**	61,579,000	12	58,172,000	12	57,146,000	13	47,841,000	13
Real estate	**38,129,000**	**7**	28,082,000	5	44,762,000	9	27,113,000	6	10,912,000	3
Manufacturing	**21,537,000**	**4**	19,805,000	4	20,339,000	4	15,725,000	4	14,954,000	4
Services	**20,437,000**	**4**	18,114,000	4	17,050,000	3	15,553,000	3	14,506,000	4
Other	**5,654,000**	**1**	5,024,000	1	4,299,000	1	4,108,000	1	3,915,000	1
Total	**$535,977,000**	**100%**	$506,605,000	100%	$502,942,000	100%	$449,706,000	100%	$365,761,000	100%
Earnings										
Food	**$ 15,822,000**	**59%**	$ 16,154,000	83%	$ 31,165,000	74%	$ 26,005,000	79%	$ 22,160,000	75%
Merchandising	**(350,000)**	**(1)**	(661,000)	(3)	2,324,000	5	1,314,000	4	1,320,000	4
Real estate	**7,346,000**	**27**	1,613,000	8	3,161,000	7	2,659,000	8	2,113,000	7
Manufacturing	**3,403,000**	**12**	2,743,000	14	2,926,000	7	2,212,000	7	2,321,000	8
Services	**732,000**	**3**	19,000	0	1,598,000	4	687,000	2	1,154,000	4
Other	**(14,000)**	**0**	(409,000)	(2)	1,123,000	3	55,000	0	457,000	2
Total	**26,939,000**	**100%**	19,459,000	100%	42,297,000	100%	32,932,000	100%	29,525,000	100%
Less unallocated expenses:										
Corporate	**4,139,000**		3,745,000		3,661,000		3,251,000		2,684,000	
Interest	**2,312,000**		1,684,000		1,221,000		1,922,000		1,148,000	
Income before income taxes	**$ 20,488,000**		$ 14,030,000		$ 37,415,000		$ 27,759,000		$ 25,693,000	

Prior years' amounts reclassified to conform to 1972 presentation.

* 1968 is for the 11-month period ended March 31. All others represent 12-month periods ended March 31.

Statement of Consolidated Financial Condition

CASTLE & COOKE, INC. AND SUBSIDIARIES

March 31	1972	1971*
Current Assets		
Cash	**$ 11,648,000**	$ 13,714,000
Time deposits and marketable securities — at cost, which approximates market	**1,716,000**	2,052,000
Accounts receivable, less allowances for doubtful accounts — 1972, $1,136,000; 1971, $885,000	**59,006,000**	56,852,000
Federal income tax refund receivable — net	**1,852,000**	4,118,000
Inventories	**151,371,000**	128,018,000
Prepaid expenses	**6,319,000**	5,350,000
Total current assets	**231,912,000**	210,104,000
Deduct Current Liabilities		
Notes payable	**34,226,000**	65,333,000
Current portion of long-term debt	**28,796,000**	29,526,000
Accounts payable	**41,602,000**	38,900,000
Dividends payable	**1,822,000**	1,656,000
Income taxes payable, less foreign government securities — 1972, $925,000; 1971, $700,000	**3,522,000**	3,179,000
Total current liabilities	**109,968,000**	138,594,000
Working Capital	**121,944,000**	71,510,000
Growing Crops — At static values	**4,050,000**	4,050,000
Real Estate Projects — At the lower of cost or market	**31,583,000**	29,496,000
Investments		
Capital stock of sugar marketing cooperative — at cost	**1,392,000**	1,392,000
Subsidiaries not consolidated:		
Domestic — at equity	**1,535,000**	1,424,000
Foreign — at cost, less allowances — 1972, $1,119,000; 1971, $1,300,000	**2,862,000**	2,446,000
Investments in affiliates — at equity	**4,994,000**	4,549,000
Other investments — at cost	**5,749,000**	4,672,000
Land — At cost	**28,706,000**	28,538,000
Other Properties — Net	**142,158,000**	143,139,000
Note Receivable (less unamortized discount based on imputed interest rate of 7% — $1,186,000)	**7,346,000**	—
Other Non-Current Receivables — Less allowances for doubtful accounts — 1972, $241,000; 1971, $288,000	**35,537,000**	26,879,000
Deferred Charges and Other Assets	**39,821,000**	38,159,000
Total assets less current liabilities	**427,677,000**	356,254,000
Deduct		
Long-term debt	**164,063,000**	128,325,000
Deferred income taxes	**19,184,000**	14,536,000
Deferred income and other credits	**10,995,000**	3,715,000
Minority interests	**16,204,000**	15,490,000
Total	**210,446,000**	162,066,000
Net Assets, Representing Stockholders' Equity	**$217,231,000**	$194,188,000
Stockholders' Equity		
Capital stock	**$123,303,000**	$112,275,000
Capital in excess of par value	**22,318,000**	14,846,000
Capital from acquisition of subsidiaries' stock	**16,969,000**	16,969,000
Retained earnings	**60,292,000**	55,969,000
	222,882,000	200,059,000
Less cost of treasury stock — 1972, 181,600 shares; 1971, 190,256 shares	**5,651,000**	5,871,000
Stockholders' Equity	**$217,231,000**	$194,188,000

* Amounts shown for fiscal year ended March 31, 1971 have been reclassified to conform to 1972 presentation and to reflect APB Opinion 18 adjustments.

Pages 17 to 21 of the Annual Report should be read in conjunction with this statement.

Statement of Consolidated Income and Retained Earnings

CASTLE & COOKE, INC. AND SUBSIDIARIES

Year Ended March 31	1972	1971*
Revenues		
Food	**$385,831,000**	$374,001,000
Merchandising	**64,389,000**	61,579,000
Real estate	**38,129,000**	28,082,000
Manufacturing	**21,537,000**	19,805,000
Services, including rentals	**20,437,000**	18,114,000
Dividends, interest and other revenues	**5,654,000**	5,024,000
Total	**535,977,000**	506,605,000
Costs and Expenses		
Cost of products and merchandise sold (except depreciation)	**373,347,000**	357,788,000
Selling, service, general and administrative expenses	**112,075,000**	106,874,000
Depreciation (generally straight-line)	**15,626,000**	13,236,000
Interest	**14,441,000**	14,677,000
Total	**515,489,000**	492,575,000
Income Before Income Taxes	**20,488,000**	14,030,000
Income Taxes		
Current	**3,715,000**	2,610,000
Deferred	**4,251,000**	3,074,000
Total	**7,966,000**	5,684,000
Income Before Minority Interests	**12,522,000**	8,346,000
Minority Interests	**1,860,000**	1,609,000
Income Before Extraordinary Items	**10,662,000**	6,737,000
Extraordinary Items — Net	**934,000**	3,478,000
Net Income	**11,596,000**	10,215,000
Retained Earnings, Beginning of Period (Restated in 1971)	**55,969,000**	63,371,000
Cash dividends	**(7,273,000)**	(6,609,000)
Stock dividends	**—**	(11,008,000)
Retained Earnings, End of Period	**$ 60,292,000**	$ 55,969,000
Earnings Per Common Share (Based on average number of shares outstanding)**		
Income before extraordinary items	**$ .89**	$ .61
Extraordinary items	**.08**	.31
Net income	**$ .97**	$ .92
Cash Dividends Per Common Share	**$ .60**	$ .60

* Amounts shown for fiscal year ended March 31, 1971 have been reclassified to conform to 1972 presentation and to reflect APB Opinion 18 adjustments.

** There is no dilutive effect on earnings per common share from assuming conversion of the company's convertible subordinated debentures.

Pages 17 to 21 of the Annual Report should be read in conjunction with this statement.

Statement of Changes in Consolidated Financial Position

CASTLE & COOKE, INC. AND SUBSIDIARIES

Year Ended March 31	1972	1971*
Sources of Working Capital		
Income before extraordinary items	**$ 10,662,000**	$ 6,737,000
Add items not requiring outlay of working capital:		
Income applicable to minority interests	**1,860,000**	1,609,000
Depreciation	**15,626,000**	13,236,000
Deferred income taxes	**4,251,000**	2,593,000
Provided from operations before extraordinary items	**32,399,000**	24,175,000
Extraordinary items	**934,000**	3,478,000
Add deferred income taxes	**397,000**	3,202,000
Working capital provided from operations	**33,730,000**	30,855,000
Proceeds from sale of common stock	**17,539,000**	—
Additions to long-term debt	**76,832,000**	50,800,000
Sales of capital stock under stock option plans	**1,039,000**	401,000
Dispositions of property	**4,042,000**	4,006,000
Dispositions of investments	**1,182,000**	1,435,000
Total	**134,364,000**	87,497,000
Applications of Working Capital		
Additions to property	**18,855,000**	29,907,000
Cash dividends	**7,770,000**	7,109,000
Retirements of long-term debt	**41,094,000**	38,877,000
Purchases of treasury stock	**—**	221,000
Additions to investments	**3,231,000**	3,817,000
Addition to non-current note receivable	**7,346,000**	—
Purchase of capital stock of consolidated subsidiaries	**961,000**	2,849,000
Deferred costs and expenses of Philippine subsidiaries in development stage	**294,000**	1,791,000
Increase (decrease) in real estate projects	**2,087,000**	(21,000)
Net changes in other assets and deferred credits	**2,292,000**	6,365,000
Total	**83,930,000**	90,915,000
Increase (decrease) in working capital	**$ 50,434,000**	$ (3,418,000)
Increase (Decrease) in Working Capital Components		
Cash, time deposits and marketable securities	**$ (2,402,000)**	$ (1,089,000)
Accounts receivable	**2,154,000**	1,417,000
Federal income tax refund receivable — net	**(2,266,000)**	4,118,000
Inventories	**23,353,000**	17,396,000
Prepaid expenses	**969,000**	(515,000)
Notes payable	**31,837,000**	(29,089,000)
Accounts payable	**(2,702,000)**	3,110,000
Dividends payable	**(166,000)**	(84,000)
Income taxes payable	**(343,000)**	1,318,000
Increase (decrease) in working capital, as shown above	**$ 50,434,000**	$ (3,418,000)

* Amounts shown for fiscal year ended March 31, 1971 have been reclassified to conform to 1972 presentation and to reflect APB Opinion 18 adjustments.

Pages 17 to 21 of the Annual Report should be read in conjunction with this statement.

Summary of Accounting Policies

A brief description of the principal accounting policies of Castle & Cooke, Inc. and its subsidiaries is presented to aid in understanding the company's financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of Castle & Cooke, Inc. and all except several small subsidiaries which are not considered to be permanent investments. Intercompany accounts and transactions of material amounts are eliminated.

Investments in unconsolidated domestic subsidiaries are stated at equity; unconsolidated foreign subsidiaries at cost, less allowances for losses. Long-term investments where voting stock interest is between 20% and 50% are stated at equity. Other investments are stated at cost.

The accounts of foreign subsidiaries are maintained in U.S. currency or are translated into U.S. dollars at appropriate rates of exchange. Generally, current assets and liabilities are translated at year-end exchange rates, property accounts and related depreciation at rates of exchange in effect at dates of acquisition, and income and expenses (other than depreciation) at average rates prevailing during the year.

Goodwill arising from acquisitions is amortized over 10 to 20 years.

Depreciation

Depreciation and amortization are computed generally by use of the straight-line method. Depreciation and amortization rates are based on the estimated useful lives of the assets or, if applicable, the remaining terms of leases, whichever is shorter.

Agricultural Projects

During the development stage of major agricultural plantings for pineapple plantations and banana farms, costs and expenses in excess of revenues are deferred and then amortized over appropriate periods.

Growing Crops

Growing crops consist of pineapple and sugar crops in Hawaii, stated at static values, which are substantially less than current costs. Except for new major agricultural projects, the costs of growing all crops are charged to operations as incurred.

Real Estate

Sales of lots and bulk acreage are usually made on the installment basis with a significant down payment and periodic payments over the terms of the notes. Sales of residences and apartment units, usually financed through third parties, generally are recognized for accounting purposes on the date the benefits and risks of ownership pass to the purchaser, usually the date of closing.

Real estate projects of subsidiaries consist primarily of projects in various stages of development and unimproved land. Carrying charges, including interest and property taxes, are capitalized until the development is completed and ready for sale. Land development costs applicable to lots sold are allocated on the basis of relative sales values or average costs per acre. Portions of real estate projects currently offered for sale and estimated to be sold within one year are included in inventories under current assets.

Pre-operating expenses of real estate projects consisting principally of planning, engineering and certain administrative expenses incurred prior to commencement of major projects are recorded as deferred charges and amortized over the development period of each project.

Income Taxes

Income tax expense is provided for items in the income statement, regardless of the period when such items are recognized for tax purposes. Investment tax credits are applied as a reduction of current income tax expense in the year the assets are placed in service. Certain sales of land included in real estate revenues in the income statement are reported as capital gains for income tax purposes and, accordingly, the related income tax expense is computed at capital gain rates for financial statement purposes.

Foreign Activity

Total assets in foreign countries at March 31, 1972 were $193,346,000, including $61,202,000 of current assets. This compares with $174,115,000, including $47,678,000 of current assets, a year earlier. A substantial part of these assets are employed to produce food products for sale in the United States. Foreign sales represented 18% of total revenues for fiscal 1972, compared with 17% the previous year.

Inventories

Inventories at March 31, 1972 and 1971 consisted of the following:

	1972	1971
Merchandise purchased, at the lower of cost or market:		
Principally first-in, first-out	$ 5,644,000	$ 4,857,000
Retail inventory method	8,504,000	8,142,000
Finished products and raw materials — generally at the lower of cost (first-in, first-out) or market	80,421,000	66,000,000
Real estate projects completed or under construction, at the lower of cost or market	17,732,000	9,373,000
Operating supplies, generally at the lower of average cost or market	39,070,000	39,646,000
Total	$151,371,000	$128,018,000

Other Properties

Major classes of property, other than land, at March 31, 1972 and 1971 were:

	1972	1971
Real estate improvements	$ 30,473,000	$ 29,247,000
Buildings	69,539,000	67,992,000
Machinery and equipment	164,899,000	154,993,000
Water, power and sewer systems	15,456,000	15,050,000
Construction in progress	12,488,000	14,546,000
Total cost	292,855,000	281,828,000
Less accumulated depreciation	150,697,000	138,689,000
Other properties — net	$142,158,000	$143,139,000

Investments

In fiscal 1972, the company began recognizing the operating results of certain long-term minority interest investments, in accordance with Opinion 18 issued by the Accounting Principles Board of the American Institute of Certified Public Accountants. This change to the equity method of accounting reduced fiscal 1972 net income by $668,000 but increased fiscal 1971 net income by $143,000. All historical data have been adjusted retroactively to reflect the results of this change. (See additional information under "Stockholders' Equity.")

Deferred Charges

Deferred charges at March 31, 1972 include $19,633,000 of costs and expenses in excess of revenues of two Philippine subsidiaries during their development stages, less amortization.

One of the subsidiaries, Dole Philippines, Inc., is amortizing these charges on a straight-line basis over the life of its grower agreement with the Philippine government for use of its plantation and related lands in that country. The annual amortization is approximately $825,000 until 1988, when the present agreement is due for renewal.

The other subsidiary, Standard (Philippines) Fruit Corporation, is amortizing these charges on the basis of total production originally estimated from grower contracts over the period of the initial contracts. The annual amortization will vary with actual production each year. For fiscal 1972, the amortization was approximately $600,000. For fiscal 1973, it is expected to be approximately $900,000. Thereafter through fiscal 1979, amortization is expected to be approximately $1,200,000 annually.

Financing

During fiscal 1972, the company undertook three major refinancings totaling approximately $77,000,000 to add to its equity base and to lengthen its debt maturities.

In June, 1,000,000 shares of common stock were sold to the public. Net proceeds were $17,539,000. In September, an 8⅞% $35,000,000 long-term note was issued to the Prudential Insurance Company of America for $34,563,000. This note is payable in equal annual principal installments of $1,750,000 from 1977 to maturity in 1996. The related loan agreement contains restrictions with respect to current ratio, working capital, dividends, net worth and indebtedness. On various dates during the year, the company sold to banks, at par, notes receivable from subsidiaries totaling $25,404,000. An agreement with the purchasing banks contains restrictions with respect to current ratio, working capital, net worth and long-term indebtedness. The notes mature serially from 1974 to 1979.

The proceeds from these transactions were used to

repay approximately $47,000,000 of short-term indebtedness and $18,000,000 of bank intermediate-term debt. The balance of approximately $12,000,000 was used for general corporate purposes.

Consolidated long-term debt at March 31, 1972 and 1971, less current maturities, was:

	1972	1971
5⅜% Convertible Subordinated Debentures	$ 30,000,000	$ 30,000,000
Unsecured notes:		
Fluctuating interest rate based on prime:		
1972 — 5¼%; 1971 — 6% maturing serially to 1974	10,029,000	13,345,000
Fluctuating interest rate based on Eurodollar interbank rates:		
Range currently 6¼% to 7-5/16% (average 6.7%) maturing serially from 1974 to 1979	25,404,000	—
1972 — 7-27/32%; 1971 — 6-15/16% maturing in 1977	15,000,000	15,000,000
8⅞%, maturing serially from 1977 to 1996	.34,577,000	—
Other: 1972 — range of 4¾% to 12½% (average rate 8.7%) maturing serially to 1980; 1971 — range of 6% to 12½% (average rate 7.7%) maturing serially to 1980	14,051,000	38,952,000
Real estate notes payable (land, real estate projects, notes or contracts receivable pledged as collateral): 1972 — range of 6% to 7½% (average rate 6.4%); 1971 — range of 6¼% to 10% (average rate 6.9%)	15,823,000	11,880,000
Mortgage, installment and other notes payable (certain land, buildings, machinery and equipment pledged as collateral): 1972 — range of 5% to 10½% (average rate 6.1%); 1971 — range of 5% to 9% (average rate 5.7%) maturing at various dates to 1993	19,179,000	19,148,000
Total	$164,063,000	$128,325,000

The debentures are convertible at any time into common stock at a rate of one share for each $35.08 of principal amount of debenture. Full conversion would require 855,188 shares. Annual sinking fund payments of 5% of the principal amount outstanding at March 1, 1979 will begin one year later and continue to maturity in 1994, with the balance payable in that year.

Real estate notes payable relate to real estate projects and land held for development, and are to be paid as units are sold or as related installment contracts are collected.

Payments on long-term debt other than real estate notes payable are due in the following amounts during the years ending March 31, 1973, $16,650,000; 1974, $13,372,000; 1975, $13,605,000; 1976, $5,264,000; 1977, $5,283,000.

Provisions of an indenture and certain credit agreements impose restrictions on payment of cash dividends by the company and certain subsidiaries. At March 31, 1972, $4,309,000 of retained earnings were not restricted as to payment of cash dividends. In addition, other restrictions require maintenance of minimum working capital, current ratios and debt ratios.

Income Taxes

Income tax expense for both years was less than amounts computed using U.S. statutory rates applicable to ordinary income, principally as a result of lower tax rates applicable to certain foreign income and to capital gains.

Deferred income taxes result from timing differences which include: (1) use of different methods of computing depreciation and of valuing certain inventories for tax purposes and for financial statement purposes; (2) use, for tax purposes, of the installment method of accounting for certain deferred-payment sales; and (3) differences between financial statement and tax expenses for pension and management incentive plans, development costs of certain computer programs, carrying charges of real estate projects, and pre-production costs for new banana plantings.

Stock Options

A summary of stock option transactions during fiscal 1971-1972 follows:

	Shares	Average Per Share	Total
Balance outstanding, April 1, 1971	323,288	$17.80	$5,753,000
Options granted	63,550	18.00	1,144,000
Options exercised	(79,695)	13.04	(1,039,000)
Options cancelled	(18,211)	22.01	(400,000)
Balance outstanding, March 31, 1972	288,932	$18.89	$5,458,000

Stockholders' Equity

Stockholders' equity at year end was $217,231,000 ($17.88 per share), compared with $194,188,000 ($17.59 per share) a year earlier.

Authorized capital consists of 1,000,000 shares of no par value preferred stock, none of which has been issued, and 25,000,000 shares of $10 par value common stock.

Changes in shares of common stock outstanding during the past two years were:

	1972	1971
At beginning of year	11,037,248	10,482,197
Stock options exercised	79,695	37,514
Shares issued under contingent payout	23,081	—
Stock dividends	—	524,175
Shares issued in public offering	1,000,000	—
Purchased for or sold from treasury	8,656	(6,638)
At end of year	12,148,680	11,037,248

Total common stock reserved at March 31, 1972 amounted to 1,303,135 shares. Of this, 855,188 were reserved for the convertible debentures, 118,812 for a contingent payout for a past acquisition, 288,932 for outstanding stock options, and 40,203 for future stock option grants.

Changes in capital in excess of par value during the past two years were:

	1972	1971
Balance at beginning of year	$14,846,000	$ 9,039,000
Excess of market value over par value of shares issued as 5% stock dividend	—	5,766,000
Excess of proceeds over par value of shares sold in public offering	7,539,000	—
Excess of option price over par value of shares issued under stock option plans	242,000	26,000
Other	(309,000)	15,000
Balance at end of year	$22,318,000	$14,846,000

As a result of adopting the equity method of accounting for investments in affiliates (APB Opinion 18), retained earnings of the company at March 31, 1971 have been restated at $55,969,000, an increase of $1,273,000 from the $54,696,000 originally reported.

Pension and Retirement Plans

Castle & Cooke and its consolidated subsidiaries have qualified retirement plans covering most full-time employes. The cost of these plans amounted to $3,211,000 for fiscal 1972 and $2,914,000 for fiscal 1971. The company's policy is to fund pension costs on a current basis as they accrue. The value of the pension funds and balance sheet accruals at March 31, 1972 exceeded the actuarially computed value of vested benefits for all plans.

Also, several subsidiaries are parties to various industry-wide collective bargaining agreements which provide for pension benefits and which are jointly administered by labor and management trustees. Contributions to these plans are either stipulated in the collective bargaining agreements or based on actuarial computations. The total cost of these collective bargaining plans, plus direct payments to pensioners, was $924,000 for fiscal 1972 and $753,000 for fiscal 1971.

Commitments and Contingent Liabilities

Costs of ship charters of six years' duration or less and lease agreements expiring generally within the next 25 years will be at least $18,109,000 for the fiscal year ending March 31, 1973.

At March 31, 1972, the company and several of its subsidiaries were contingently liable for $5,784,000 for notes discounted and mortgage loans endorsed, and for $27,152,000 for guarantees of associated companies' indebtedness.

A legal action filed in 1969 seeking annulment of Dole Philippines' grower agreement in that country is still pending before the Philippine Supreme Court. Dolefil and the Philippine government agencies involved have filed answers to the petition, asserting that the agreement is valid and asking that the petition be dismissed. In the opinion of counsel for Dolefil, the petition is without sufficient legal basis and eventually will be dismissed by the Supreme Court.

Also still pending is a civil antitrust suit filed against Standard Fruit and Steamship Company in September 1970 by the U.S. Department of Justice in the U.S. District Court for the Eastern District of New York. The suit charges Standard with conspiring with a trucker to

monopolize the carriage of its bananas within the metropolitan New York area by requiring purchasers of its bananas in that area to use the trucker for deliveries of their purchases. In the opinion of counsel for Standard, the government's action is without merit.

On March 29, 1972, suit was filed against Standard in the U.S. District Court for the Southern District of New York by three wholesale banana dealers alleging that they were charged discriminatory prices. They seek treble damages in the aggregate amount of $635,000 and attorneys' fees amounting to $80,000. In the opinion of counsel for Standard, the actions are without merit.

The Internal Revenue Service is examining the federal income tax returns of the company for the years 1966 through 1968. Adjustments to taxable income have been proposed and are the subject of continuing discussions with IRS. The principal proposed adjustments relate to certain land sales treated as capital gains upon the advice of counsel. The company intends to contest such adjustments by filing a petition in the United States Tax Court. The company and its counsel believe that adequate provision for income taxes has been made for all open years.

Extraordinary Items

The fiscal 1972 extraordinary gain, amounting to $934,000 (8¢ per share) after tax provision of $563,000, resulted from the sale of Dole's former cannery and related property in San Jose, Calif.

The fiscal 1971 extraordinary gain, amounting to $3,478,000 (31¢ per share) after provision for taxes, resulted from a change by Dole, for financial statement purposes only, in the method of valuing pineapple finished goods inventories produced in Hawaii. The change was from a static unit value basis to the lower of cost (first-in, first-out) or market basis.

Other Events

Castle & Cooke's Kohala Sugar operations, originally scheduled to be closed at the end of 1973, have been extended on a limited scale for one additional year. Plans are being developed for the use of the Kohala lands as parcels are released from sugar cultivation. It is estimated that revenues from all operations of Kohala Corporation over the next three fiscal years will be sufficient to cover all operating and sugar termination costs.

Auditors' Report

To the Stockholders of Castle & Cooke, Inc.:

We have examined the statement of consolidated financial condition of Castle & Cooke, Inc. and its consolidated subsidiaries as of March 31, 1972 and 1971 and the related statements of consolidated income and retained earnings and of changes in consolidated financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Standard Fruit and Steamship Company and its subsidiaries for the aforementioned years or of Castle & Cooke Worldwide Limited for the nine months ended March 25, 1972, which statements included in consolidation reflect total assets and revenues constituting 22% and 30% of the respective consolidated totals for the year ended March 31, 1972 and 21% and 30% of such totals for the year ended March 31, 1971. These statements were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Standard Fruit and Steamship Company and its subsidiaries and Castle & Cooke Worldwide Limited, is based solely upon the reports of the other auditors.

In our opinion, based on our examination and the reports of other auditors referred to above, the accompanying statements of consolidated financial condition, consolidated income and retained earnings, and changes in consolidated financial position present fairly the financial position of Castle & Cooke, Inc. and its consolidated subsidiaries at March 31, 1972 and 1971 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied (except for the changes in the year ended March 31, 1971 in accounting for certain finished goods inventories explained in the "Extraordinary Items" section of the Financial Review) on a consistent basis (after giving retroactive effect to the change in the method of accounting for certain investments in common stock explained in the "Investments" section of the Financial Review).

HASKINS & SELLS

Honolulu, Hawaii
May 1, 1972

Financial History*

	1972	1971	1970
Operations for the Period**			
Revenues	**$535,977,000**	$506,605,000	$502,942,000
Income before extraordinary items	**10,662,000**	6,737,000	20,496,000
Return on average equity	**5.18%**	3.50%	11.21%
Extraordinary items — net	**934,000**	3,478,000	(2,743,000)
Net income	**11,596,000**	10,215,000	17,753,000
Earnings per common share:			
Income before extraordinary items	**.89**	.61	1.88
Extraordinary items	**.08**	.31	(.25)
Net income	**.97**	.92	1.63
Earnings per common share — assuming full dilution:			
Income before extraordinary items	**.89**	.61	1.81
Extraordinary items	**.08**	.31	(.23)
Net income	**.97**	.92	1.58
Dividends declared to Castle & Cooke stockholders:			
Cash dividends	**7,273,000**	6,609,000	6,254,000
Per share	**.60**	.60	.57
Stock dividends	**—**	5%	—
Depreciation expense	**15,626,000**	13,236,000	11,726,000
Capital expenditures	**18,855,000**	29,484,000	27,030,000
At Year End			
Current assets	**231,912,000**	210,104,000	188,777,000
Current liabilities	**109,968,000**	138,594,000	113,849,000
Working capital	**121,944,000**	71,510,000	74,928,000
Ratio of current assets to current liabilities	**2.11 to 1**	1.52 to 1	1.66 to 1
Total assets	**537,645,000**	494,848,000	448,897,000
Long-term debt	**164,063,000**	128,325,000	116,402,000
Minority interests	**16,204,000**	15,490,000	14,853,000
Stockholders' equity	**217,231,000**	194,188,000	190,344,000
Per share	**17.88**	17.59	17.29

* 1969 to 1972 represent 12-month periods ended March 31.
1968 is for the 11-month period ended March 31.
1967 and earlier represent 12-month periods ended April 30.

** Where applicable and material, data for all prior periods have been restated to give effect to poolings of interests, equity accounting for investments, stock dividends and stock split-ups in the form of dividends.

1969	1968	1967	1966	1965	1964	1963
$449,706,000	$365,761,000	$343,511,000	$331,252,000	$262,304,000	$206,671,000	$183,347,000
15,242,000	12,761,000	9,983,000	11,988,000	9,406,000	9,050,000	3,550,000
9.10%	8.27%	6.86%	8.72%	7.58%	8.04%	3.23%
3,533,000	—	1,434,000	—	9,235,000	—	—
18,775,000	12,761,000	11,417,000	11,988,000	18,641,000	9,050,000	3,550,000
1.44	1.22	.97	1.17	.94	.93	.36
.33	—	.14	—	.92	—	—
1.77	1.22	1.11	1.17	1.86	.93	.36
1.44	—	—	—	—	—	—
.33	—	—	—	—	—	—
1.77	—	—	—	—	—	—
5,455,000	4,317,000	3,987,000	3,656,000	3,476,000	3,465,000	2,776,000
.55	.48	.46	.43	.41	.41	.33
100%	—	5%	50%	10%	—	—
10,911,000	8,389,000	8,173,000	7,929,000	6,563,000	5,057,000	5,077,000
22,720,000	18,400,000	20,124,000	20,960,000	6,744,000	9,675,000	6,022,000
176,686,000	152,867,000	136,027,000	122,684,000	119,040,000	73,689,000	73,772,000
109,280,000	78,705,000	73,668,000	69,552,000	54,500,000	27,157,000	26,247,000
67,406,000	74,162,000	62,359,000	53,132,000	64,540,000	46,532,000	47,525,000
1.62 to 1	1.94 to 1	1.85 to 1	1.76 to 1	2.18 to 1	2.71 to 1	2.81 to 1
418,159,000	352,399,000	305,841,000	270,487,000	248,898,000	160,492,000	151,174,000
111,517,000	95,242,000	58,194,000	32,351,000	25,177,000	10,370,000	9,532,000
13,120,000	11,626,000	17,021,000	18,287,000	27,695,000	2,060,000	2,777,000
175,364,000	159,836,000	149,146,000	141,992,000	133,008,000	115,317,000	109,876,000
16.39	15.18	14.42	13.80	13.03	11.81	11.31

Directors and Officers

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